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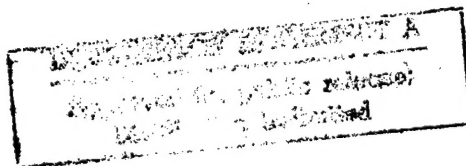
China Report

POLITICAL, SOCIOLOGICAL AND MILITARY AFFAIRS

PRC STATE COUNCIL BULLETIN,

No. 28, 30 November 1984

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24 June 1985

CHINA REPORT

POLITICAL, SOCIOLOGICAL AND MILITARY AFFAIRS

PRC STATE COUNCIL BULLETIN, No. 28, 30 NOVEMBER 1984

Beijing ZHONGHUA RENMIN GONGHEGUO GUOWUYUAN GONGBAO [PRC STATE COUNCIL BULLETIN] in Chinese, No 28, 30 November 1984

[This volume contains selected translations from the PRC STATE COUNCIL BULLETIN. Items marked [previously published] have appeared in other JPRS or FBIS publications.]

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Beijing STATE COUNCIL BULLETIN in Chinese No 28, 30 Nov 84 pp 948-949

[State Council Motion Requesting the Deliberation of the "Joint Declaration of the Government of the PRC and the Government of the United Kingdom of Great Britain and Northern Ireland on the Question of Hong Kong" on 2 November 1984]

[Text] The Standing Committee of the National People's Congress,

On 26 September 1984, Zhou Nan, head of the Chinese Government delegation and vice foreign minister, and Evans, head of the British Government delegation and British Ambassador to China, initialed the "Joint Declaration of the Government of the People's Republic of China and the Government of the United Kingdom of Great Britain and Northern Ireland on the Question of Hong Kong" (referred to hereafter as the "Joint Declaration") on behalf of their respective governments.

The "Joint Declaration" is a main document of the Sino-British agreement on the question of Hong Kong. The "Joint Declaration" also consists of three annexes which are: "Elaboration by the Government of the People's Republic of China of Its Basic Policies Regarding Hong Kong," "Sino-British Joint Liaison Group" and "Land Leases." Also, when officially signing the agreement, the two governments will exchange memoranda on the question of some Hong Kong residents' travel documents.

Apart from the foreword, the "Joint Declaration" consists of eight clauses. The main contents are: the Chinese Government declares that the Chinese Government will recover Hong Kong (including Hong Kong Island, Kowloon and the "New Territories") with effect from 1 July 1997, and will resume exercise of sovereignty over Hong Kong; the British Government declares that the British Government will restore Hong Kong to China with effect from 1 July 1997. The Chinese Government also announces its basic policies regarding Hong Kong in the "Joint Declaration." The "Joint Declaration" also makes other arrangements to ensure Hong Kong's prosperity and stability.

The recover of Hong Kong is a major step toward the reunification of the motherland. Our country's basic policies for solving the question of Hong Kong, which were formulated on the concept of "one country, two systems," have given

full consideration to the history and present situation of Hong Kong. They are truth-seeking and rational and are in compliance with the fundamental interests of the people throughout the country, including the Hong Kong compatriots. The peaceful settlement of the question of Hong Kong is conducive to the long-term stability and prosperity of Hong Kong; it is conducive to our country's socialist modernization, and conducive to peace in Asia and the world; it paves the way for better Sino-British friendship and cooperation and provides new experiences for peacefully settling international disputes. Soon after the announcement of the "Joint Declaration," it won the general support and praise of people of all walks of life in Hong Kong, the overseas Chinese compatriots and international public opinion.

The "Joint Declaration of the Government of the People's Republic of China and the Government of the United Kingdom of Great Britain and Northern Ireland on the Question of Hong Kong" is now submitted to the National People's Congress Standing Committee for deliberation. If no objection arises, it will be officially signed by our government and the British Government before the end of this year. In accordance with the agreement, the "Joint Declaration" must be ratified. Both parties will exchange instruments of ratification in Beijing before 30 June 1985, and the "Joint Declaration" will take effect on the same day as the exchange of instruments of ratification.

Zhao Ziyang

Premier of State Council
2 November 1984

CSO: 4005/1005

STATE COUNCIL CIRCULAR ON LOWER TAXES, EXEMPTIONS IN SEZ'S

(Guofa [0948 4099] (1984) No 161)

Beijing STATE COUNCIL BULLETIN in Chinese No 28, 30 Nov 84 p 957

[State Council Circular on the Promulgation of the "Provisional Stipulations of the PRC State Council on the Reduction and Exemption of Enterprise Income Tax and Industrial-Commercial Tax in Special Economic Zones and the 14 coastal cities" (15 November 1984)]

[Text] In accordance with the resolution of the Second Session of the Sixth National People's Congress of the PRC on "Government Work Report," the State Council has formulated the "Provisional Stipulations of the PRC State Council on the Reduction and Exemption of Enterprises Income Tax and Industrial-Commercial Tax in Special Economic Zones and the 14 coastal cities." They are now circulated to you and you are requested to implement them accordingly.

CSO: 4005/1005

STATE COUNCIL PROVISIONAL TAX STIPULATIONS FOR SEZ'S

Beijing STATE COUNCIL BULLETIN in Chinese No 28, 30 Nov 84 pp 957-961

[Provisional Stipulations of the PRC State Council on the Reduction and Exemption of Enterprise Income Tax and Industrial-Commercial Tax in Special Economic Zones and the 14 Coastal Cities]

[Text] In order to facilitate foreign economic cooperation and technical exchange, absorption of foreign capital, import of advanced technology and acceleration of socialist modernization in the 4 special economic zones of Shenzhen, Zhuhai, Xiamen and Shantou, and the 14 coastal cities of Dalian, Qinhuangdao, Tianjin, Yantai, Qingdao, Linyungang, Nantong, Shanghai, Ningpo, Wenzhou, Fuzhou, Guangzhou, Zhangjiang and Beihai, foreign and Hong Kong and Macao companies, enterprises and individuals (referred thereafter as guest businessmen) are to be given preferential treatment in the reduction or exemption of enterprise income tax or industrial-commercial tax when they invest in enterprises jointly run with Chinese and foreign capital, Chinese and foreign cooperation enterprises and individual enterprises of guest businessmen in the above-mentioned special zones and cities.

I. Special Economic Zones

(A) Income tax on production, business and other income of enterprises jointly run with Chinese and foreign capital, Chinese and foreign cooperation enterprises and individual enterprises of guest businessmen (referred to thereafter as special zone enterprises) in the special economic zones (referred to hereafter as special zones) is to be reduced by 15 percent. Among these:

1. enterprises engaged in industrial production, communications and transportation, agriculture, forestry and animal husbandry and of which the business period is over 10 years will be exempted from income tax for the first and second year, starting from the first profitable year, and income tax will be reduced by 50 percent during the third to fifth year, subject to application by the enterprises and approval by the taxation organs in the special zones.

2. for enterprises engaged in services trades in which investment of guest businessmen is over \$5 million and the business period is over 10 years, income tax will be exempted for the first year, starting from the first profitable year, and will be reduced by 50 percent during the second and third year, subject to application by the enterprises and approval by the taxation organs in the special zones.

(B) Exemption, reduction or preferential treatment of local income tax on special zone enterprises is to be decided by the special zone people's government.

(C) Remittance of profit out of the special zones by guest businessmen of enterprises jointly run with Chinese and foreign capital is to be exempted from income tax.

(D) Dividends, interest, rents, patent royalties, and other sources of income gained by the guest businessmen inside the special zones who do not have any establishments inside the territories of China are subject to income tax with a discount of 10 percent, except for other legal exemptions. Other preferential conditions for supply of capital and equipment or greater reductions or exemption for the transfer of advanced technology are to be considered by the special zone people's government.

(E) Imported goods of special zone enterprises are subject to industrial-commercial tax. Prior to the establishment of the special zone control line, machinery, raw materials, spare parts, communication tools and other means of production which are essential to production are exempt from industrial-commercial tax; import of communication tools and durable consumer goods which are restricted by the state are subject to industrial-commercial tax in accordance with the rules and regulations; imports of various mineral oils, cigarettes, wines and other livelihood products are subject to 50 percent of industrial-commercial tax in accordance with the taxation law. After the establishment of the special zone control line, imports of various mineral oils, cigarettes, wines are still subject to 50 percent of industrial-commercial tax in accordance with the taxation law; imports of other goods are exempted from industrial-commercial tax. Reasonable quantities of imported cigarettes, wine, luggage, household goods carried by individual guest businessmen for personal consumption are exempted from industrial-commercial tax.

(F) Export products produced by special zone enterprises are exempted from industrial-commercial tax with the exception of a few products whose export is restricted by the state or has to comply with other regulations.

(G) For products produced by the special zone enterprises and sold in the local special zones, various kinds of mineral oils, cigarettes, wine are subject to 50 percent of industrial-commercial tax in accordance with the taxation law; the special zone people's governments can, at their own discretion, impose industrial-commercial tax on a few products or exempt the tax; other products are exempted from industrial-commercial tax.

(H) In the course of transporting imported products whose industrial-commercial tax has been reduced or exempted, or products produced in special zones, from the special zones to the mainland, industrial-commercial tax is to be imposed in accordance with the taxation law; reasonable quantities of luggage and articles for personal use of the guest businessmen carried by them from the special zones to the mainland are exempted from industrial-commercial tax.

(I) Income of special zone enterprises from commercial, communications and transportation and services activities is subject to industrial-commercial tax at a fixed rate stipulated in the taxation law; income from bank and insurance activities is subject to industrial-commercial tax at the rate of 3 percent. The special zone people's government should use their own discretion to grant reduction and exemption of industrial-commercial tax for a fixed period during the initial stage of the establishment of the above-mentioned enterprises.

(J) Reduction and exemption of enterprise income tax and industrial-commercial tax of enterprises jointly run with Chinese and foreign capital, Chinese and foreign cooperation enterprises and individual enterprises of guest businessmen established in the Hainan Administrative Zone of Guangdong Province are to be dealt with in accordance with the regulations of the special zones.

II. Economic and Technical Development Areas in the 14 Coastal Cities

(A) Income from production and business activities and other sources of enterprises jointly run with Chinese and foreign capital, Chinese and foreign cooperation enterprises and individual production enterprises of guest businessmen (referred to hereafter as development area enterprises) in the economic and technical development areas (referred to hereafter as development areas) is subject to enterprise income tax with a discount of 15 percent. Among these, enterprises whose period of business is over 10 years can be exempted from income tax for the first and second year from the first profitable year, and income tax will be reduced by 50 percent for the third and fourth year, subject to application by the enterprises and approval by the city taxation organs.

(B) Grant of reduction, exemption or preferential conditions on local income tax to development area enterprises is to be decided by the city people's government of the local development areas.

(C) Remittance of profit out of the territories of the development areas by guest businessmen of enterprises jointly run with Chinese and foreign capital in the development areas is to be exempted from income tax.

(D) Dividends, interest, rents, patent royalties and other sources of income gained by the guest businessmen inside the development areas who do not have any establishments inside the territories of China are subject to income tax with a reduction of 10 percent, except for other legal exemptions. Other preferential conditions for the supply of capital and equipment or greater reductions or exemption for the transfer of advanced technology are to be decided by the subordinate city people's government of the development areas.

(E) Construction materials, production equipment, raw materials, spare parts, accessories, communication tools, and office equipment imported by the development area enterprises for their own use are exempted from industrial-commercial tax. When development area enterprises shift to domestic sale of processed products from tax-free raw materials, spare parts, and accessories, they must resubmit industrial-commercial tax on the imported materials and parts used.

(F) Export products produced by the development area enterprises are to be exempted from industrial-commercial tax, with the exception of products whose export is restricted by the state; products for domestic sale are subject to taxation in accordance with rules and regulations.

(G) Reasonable quantities of imported household articles and communication tools carried by guest businessmen who work in the development area enterprises or reside in the development area are exempted from industrial-commercial tax with the support of documents issued by the development area management committee.

III. Old Districts in the 14 Coastal Cities and Districts in Shantou, Zhuohai and Xiamen

(A) For technology-intensive and knowledge-intensive projects of production enterprises jointly run with Chinese and foreign capital, Chinese and foreign cooperation enterprises and individual enterprises of guest businessmen (referred to hereafter as old-district enterprises) in the old districts of 14 coastal cities and in the districts of Shantou, Zhuohai and Xiamen (referred to hereafter as old districts) and enterprises in which investment by guest businessmen is over \$30 million and the period of investment recovery is long, or projects of energy, communications and port construction, income tax is to be levied with a reduction of 15 percent with the approval of the Ministry of Finance.

Regarding the following old-district enterprises which do not possess the above-mentioned conditions for reduction, enterprise income tax is to be levied in accordance with the stipulations of the taxation law with a 20-percent reduction with the approval of the Ministry of Finance:

1. machine-building, electronics industry;
2. metallurgical, chemical and construction materials industry;
3. light industry, textile and packing industry;
4. medical equipment, pharmaceutical industry;
5. agriculture, forestry, animal husbandry, breeding industry and processing industry of these trades; and
6. construction industry.

Reduction and exemption of enterprise income tax of old-district enterprises should be implemented in accordance with the above-mentioned preferential rate and in accordance with the stipulated time limit and extent of law of income tax of enterprises jointly run with Chinese and foreign capital and law of income tax of foreign enterprises.

(B) Grant of reduction or exemption or preferential conditions on local income tax of the old-district enterprises is to be decided by the city people's governments.

(C) Dividends, interest, rents, patent royalties and other sources of income gained by the guest businessmen inside the old districts who do not have any establishments inside the territories of China are subject to income tax with a reduction of 10 percent, except for other legal exemptions. Other preferential conditions for supply of capital and equipment or greater reductions or exception for transfer of advanced technology are to be decided by the city people's governments.

(D) Production and business equipment and construction materials imported by the old-district enterprises as investment and added investment, and communication tools and office equipment for the enterprise's own use are exempt from industrial-commercial tax.

(E) Export products produced by the old-district enterprises are to be exempted from industrial-commercial tax with the exception of products whose export is restricted by the state; products for domestic sale are subject to taxation in accordance with rules and regulations.

(F) Imported raw materials, spare parts, accessories and packaging materials of the old-district enterprises for production of export products are to be exempted from industrial-commercial tax; taxation is to be levied in accordance with the rules and regulations for use of such items for production of products for domestic sale.

(G) Reasonable quantities of imported household articles and communication tools carried by guest businessmen who work in the old-district enterprises or reside in the old district are exempted from industrial-commercial tax on the basis of supporting documents issued by the responsible departments of the city people's government.

IV. Effective Date

Reduction and exemption of income tax stipulated in these stipulations will take effect as of 1984; reduction and exemption of industrial-commercial tax will take effect on 1 December 1984.

CSO: 4005/1005

STATE COUNCIL CIRCULAR APPROVING INSURANCE REPORT

(Guofa (1984) No 151)

Beijing STATE COUNCIL BULLETIN in Chinese No 28, 30 Nov 84 pp 967-968

[State Council Circular on the Approval and Circulation of the Report by the Chinese People's Insurance Co on Speeding up the Development of Insurance in the Country (3 November 1984)]

[Text] The State Council has approved the "Report on Speeding up the Development of Insurance in Our Country" by the Chinese People's Insurance Co, which is now circulated to you for observance and implementation.

Since the 3d Plenum of the 11th CPC Central Committee, insurance has developed very rapidly in our country, thus playing an active role in preventing accidents and compensating for damages, stabilizing the operations of enterprises, ensuring the people's livelihood, and raising funds for construction. Practice has proved that insurance is a good method for using economic means to manage the economy, and is a requisite for supporting and ensuring the development of social productive forces. Hence, there are bright prospects for the development of insurance in our country. At present, insurance is still a newly emerging undertaking and not much attention is paid to its development by the society as a whole. Consequently, its role has not yet been brought into full play. With the progress in the reform of the economic structure and the continuous development of the national economy, insurance companies will have to expand their operations both at home and abroad and their tasks will become heavier and heavier. The leadership at various levels should show concern about and render support to the development of insurance, and help solve practical difficulties in this field. In accordance with the requirements in reforming the economic structure, the insurance companies should further emancipate the mind, reform the management system, expand the scope of service, and enhance the economic results so as to make fresh contributions to the building of the "four modernizations."

CSO: 4005/1005

UPDATE ON INSURANCE INDUSTRY

Beijing STATE COUNCIL BULLETIN in Chinese No 28, 30 Nov 84 pp 968-973

[Report of the Chinese People's Insurance Co on Speeding up the Development of Insurance in Our Country (summary) (10 September 1984)]

[Text] In accordance with the decision adopted at the 32d regular meeting of the State Council, we submit this report on several questions concerning the speeding up of the development of insurance in our country:

I. The Current Situation in the Field of Insurance in Our Country

In 1980, with the approval of the State Council, domestic insurance was resumed after an interruption of 20 years. Under the condition of insufficient manpower, heavy tasks, imperfect organization and inadequate office facilities, the insurance companies at various levels have overcome various kinds of difficulties, made strenuous efforts in resuming various items of domestic insurance and actively developed overseas insurance. In the past 4 years, 3.4 billion yuan of insurance premiums have been received (including \$450 million for overseas insurance, which is equal to 900 million yuan). In the same period, more than 300,000 compensation cases have been handled, and 1.3 billion yuan have been paid for indemnity. In addition, expenditure has amounted to 300 million yuan, and taxes and profits delivered to the state have amounted to nearly 400 million; and the remaining 1.4 billion yuan has been kept as various kinds of compensation funds for insurance. Insurance has enabled 300,000 enterprises and urban and rural households to resume production and rebuild homes in time after sustaining losses in calamities. This has played an active role in stabilizing production and safeguarding the people's livelihood. Insurance has also given compensation to our economic losses in foreign trade, and has helped in saving and absorbing foreign exchange.

However, the insurance undertaking in our country has only made a start. Both the scale of operations and the role it plays in the national economy are far from meeting the needs in the rapid development of our economy, and they have lagged far behind those in the developed countries or even those in some developing countries. In 1982, the insurance premiums of the world (excluding the

USSR and the East European countries) amounted to \$466 billion, which was equivalent to 5.26 percent of the total output value of these countries and regions in the same year. The insurance premium paid by each person on the average amounted to \$146, and there were 54 countries and regions, each of which gained over \$100 million of insurance premium. In the same year, China's insurance premiums totaled a sum equivalent to \$513 million, which ranked the 34th in the world and constituted only 0.13 percent of total world premiums. This sum stood for 0.12 percent of the total social output value in our country, and the insurance premium paid by each person on the average was only \$0.60 in our country.

The slow growth of the insurance undertaking in our country has been due mainly to the long-term practice of "eating from the same big pot" in our country. In addition, it also has much to do with our underdeveloped economy, relatively low productive forces and the unfamiliarity of the people with insurance. At present, the reform of our economic structure is developing in depth and breadth, and new demands for insurance have been put forward by the enterprises as well as by the residents of cities and rural areas. After the development of the "two households and one combine" (specialized households, major households with specialized obligations, and economic combines) in the rural areas, they all demand the service of insurance to ensure the fulfillment of their contract responsibilities. In popularizing and using new technology and new processes, insurance is demanded in cities and in the countryside so that "boldness" can be promoted. In particular, with the reform of the urban economic system, the enterprises practice the responsibility system combining obligation, power and interests with independent accounting and responsibility for one's own profits and losses, and they demand the services of insurance for responsibility and insurance for guarantee. The collective enterprises in cities and townships also demand insurance services to share their responsibility, by way of socializing the work of retirement and old-age care for their staff members and workers, so that they can concentrate their efforts on production. From the above, it can be seen that there is an increasing and extensive demand for insurance in society and there is great potential in developing the insurance undertaking; therefore, it is imperative that the insurance undertaking be speeded up in our country.

II. Views on Speeding up the Development of Insurance in Our Country

The guiding ideology in the work of insurance is: in accordance with the principles and policies of the party and the state, further emancipate the mind, reform the system of management, expand the scope of services, enhance economic results, facilitate the accumulation of capital and funds, and set up the insurance system for economic compensation so as to serve the building of the "four modernizations." With regard to the ways to develop our insurance more rapidly, we have the following views:

1. Vigorously develop insurance in the countryside. In order to meet the needs of the peasants for security and safety after getting rich, support the scientific farming of the peasants, and promote commodity production in the countryside, rural insurance undertakings will become one of the key aspects of insurance in our country. In addition to actively developing insurance for

assets of township and town enterprises, the "two households and one combine" and the peasant households, insurance in the planting and breeding industries should be gradually expanded on the basis of summing up the experience of past pilot schemes. With regard to insurance for the planting industry, because of its fairly complex conditions, it is necessary to gain experience continuously and to expand the extent of pilot schemes in accordance with local conditions. Under the condition that there are insufficient insurance organizations and working personnel in the countryside, there have emerged in some areas rural insurance cooperatives run by the peasants themselves which are organizations of a mutual assistance nature. The state insurance companies should, in terms of business and operations, give active support, guidance and supervision to these organizations.

2. Implement legal old-age insurance for staff members and workers in urban and township collective enterprises, so as to socialize the work of retirement and old-age care for these persons. At present, we are carrying out investigations and studies in conjunction with various relevant departments and are working out suitable measures in an effort to effect formal implementation next year. With regard to old-age insurance for individual households in cities and towns and the "two households and one combine" in the countryside, we are also formulating measures so as to gradually handle these matters. With the enhancement of the living standards of the people in both cities and countryside, there are also great potentials in developing various kinds of personal insurance, such as simple personal insurance with the nature of long-term savings, personal casualty insurance for organizations for a period of 1 year, and so on, which should be actively and gradually expanded in cities and in the countryside throughout the country.

3. Implement legal insurance for third-party liability regarding motor vehicles (including tractors) and ships, so as to safeguard the economic interests of the injured in traffic accidents and help in resolving compensation disputes in car and ship accidents. Many countries implement legal insurance for third-party liability regarding motor vehicles and ships, and consider it as a measure for public welfare. In our country, Guangdong, Shandong, Qinghai, and Ningxia have implemented this kind of insurance one after the other with the approval of the local governments. In the document of the State Council, Guofa (1984) No 27 (this document was published in Issue No 4, 1984 of this BULLETIN), it is stipulated that the legal insurance for third-party liability must be implemented regarding motor vehicles and ships as well as tractors purchased by individual peasants or jointly by households. For the convenience of executing the laws and unified management, it is essential to carry out comprehensive implementation of legal insurance for third-party liability regarding traffic vehicles, such as public and private cars and ships (including cars owned by foreigners). We will speed up the drafting of the relevant regulations on legal insurance, which after approval will be promulgated and implemented at an early date.

In 1959 when domestic insurance was suspended, various kinds of insurance for accidents and casualties of travelers were handled by the departments in the fields of communications, railway and civil aviation, and we propose that these insurance matters should be run by the insurance companies. The "Regulations on

Compulsory Insurance for Accidents and Casualties in Regard to Travelers" promulgated in the 1950's should be revised by the insurance company in conjunction with various relevant departments, and these revised regulations will be submitted for approval and implementation. In line with the current situation, the compensation amount of 1,500 yuan per person originally stipulated should be raised so as to truly safeguard the economic interests of travelers.

4. Extensively develop insurance business for cargo in water, land and air transport. In line with international practice, it is proposed to implement a compensation system combining insurance with responsibility in transport, that is, for losses caused by the shipping agent, the shipping agent will be responsible for compensation within a set limit according to actual losses; for losses in excess of the limit and losses which are not caused by the shipping agent, the insurance company will be responsible for compensation within the amount of insurance according to the actual losses. This system can truly safeguard the interests of the shipper, and at the same time can reduce the compensation disputes in the course of transportation.

5. Further run well the insurance for the assets of state-run enterprises. For a long time, the losses in the assets of enterprises due to natural disasters and accidents have been generally verified and written off in the financial account, and this practice is harmful to the timely resumption of production. In view of the fact that the reform of the urban economic system is developing in the direction of responsibility for one's own profits and losses and independent accounting and that the insurance premium should be included in the cost, as clearly and definitely stipulated in the "Regulations on the Management of Cost for State-Run Enterprises," we hold that all state-run enterprises should be responsible for the security of state assets and should actively employ the service of insurance. The method in which losses are verified and written off in the financial account and compensated by the state should be revised as required. This revision is greatly conducive to eliminating the malady of "eating from the same big pot" and is beneficial to the improvement and enhancement of the management and operations of the enterprises and the stabilization of financial expenditure.

6. Expand overseas insurance service to meet the needs in implementing the policy of opening to the outside world. Insurance is an indispensable link in our foreign trade as well as in the economic and technological cooperation with foreign countries. The various items of overseas insurance run by the insurance companies have been greatly developed in recent years. With the intensive implementation of the policy of opening to the outside world, and especially after the speeding up of the construction of the SEZ's and further opening the 14 coastal cities, the needs by various sectors for overseas insurance are constantly increasing. We suggest that in the SEZ's and the open cities, we should reiterate the stipulation in the "Law on Enterprises Jointly Run by Chinese and Foreign Capital" that "various kinds of insurance of the joint ventures should be handled by the Chinese insurance companies" so as to safeguard the economic interests of our country and provide full economic guarantee for the Chinese and foreign clients. It is hoped that the foreign affairs departments and the foreign economic relations and trade departments at all levels will take charge of guiding and supervising the overseas insurance work, and that the insurance companies will be allowed to take part in negotiations with foreign concerns for major items.

III. Several Measures That Should Be Adopted

According to the practice of our work, it is necessary to adopt the following measures in speeding up the insurance undertakings of our country:

1. Give active publicity to the role of insurance in our reform of the economic system. Insurance is the product of a commodity economy. The more developed the commodity production, the greater demand for insurance. In the past, our insurance undertakings were backward and the masses were rather unfamiliar with insurance. Now, with the development of our economic construction and the enhancement of the living standards of the people in cities and rural areas, and especially when we are currently conducting reforms on the economic system, it is necessary to grasp the insurance undertaking actively. Therefore, the governments at various levels, the economics circles, and the press circles should give active publicity to the role of insurance, so that more and more people can have a better understanding of the importance of insurance.

2. Reform the management system of insurance. Insurance is an effective means of economic management. However, in the insurance companies which run the insurance business, the situation of "eating from the same big pot" still exists. At present, unified revenue and expenditure, unified accounting and auditing, and unified delivery of taxes for the general company are still in practice in the entire insurance system of the country, and this cannot facilitate bringing into play the initiative of the local governments at various levels and the insurance companies. Therefore, we propose that two-level accounting should be practiced in principle in the insurance system, that is, separate accounting for the level of the general company and for the level of branch companies in various provinces, autonomous regions and municipalities. Three-level accounting may be implemented for cities opening to the outside world and localities with suitable conditions, so as to practice independent accounting with responsibility for one's own profits and losses and management at different levels. As for the insurance business undertaken by various branch companies, they can take up the share which is within the capability of their operations, and the remaining portion can be transferred to the general company for handling. As for the insurance premium received by the general company and the branch companies, after deducting the compensation funds, the funds put aside for handling compensation, the necessary expenses, and the taxes which should be paid by the individual units, the remainder should be left at their disposal (concrete methods should be worked out in conjunction with relevant departments). In case there are very serious disasters and the insurance revenue of the general company and the branch companies cannot meet the compensation demand, necessary support should be rendered by the financial departments at various levels. In addition, it is necessary to gradually reform those rules, systems and methods which obstruct the development of the insurance business, and the practice of excessive concentration and unification by the general company should be changed. In order to mobilize the initiative of the branch companies in developing business, the methods concerning retention of profits for the insurance companies should be studied and improved in accordance with the characteristics of the insurance business.

3. Rationally reduce the burden of taxation for the insurance companies. Insurance is different from other trades. Its functions are to accumulate preparatory funds for insurance, establish the system of economic compensation for the state, and at the same time undertake the task of accumulating construction funds for the state. Therefore, in evaluating the results of operations and the economic results of the insurance companies, the amount of annual profits should not be regarded as the only criterion, and more attention should be paid to the social results, such as developing production and stabilizing the people's livelihood, achieved through the function of economic compensation by insurance undertakings. If there should be especially serious natural disasters and accidents, not only can the insurance revenue in that particular year not meet the expenses for compensation, but also the reserve funds for insurance accumulated for years should be used. Therefore, we propose that the taxation on the insurance companies should be rationally reduced, so as to increase the amount of the reserve funds for insurance in dealing with compensation expenses for very serious natural disasters.

4. The professional personnel for insurance should be increased. The present annual volume of business of the insurance companies is more than six times as much as the volume of business in the 1950's, but the total number of staff in the insurance trade is less than half the number of the 1950's (there were 51,000 people in the 1950's, but now there are only a little more than 20,000 people). Because the domestic insurance business was suspended for 20 years, the problem of the lack of competent insurance people to succeed the old ones is very serious. If steps are not taken to speed up the training of competent insurance people, the future development of insurance undertakings will encounter many serious problems. After consultations with the labor and personnel department, it has been decided to increase the number of staff members and workers for the insurance companies in the recruitment plan for the next 2 years, totaling 40,000 persons. It is hoped that the Ministry of Education will treat the insurance specialty as a science that needs to be "saved urgently," and make arrangements for one or two institutions of higher education in every larger region to run insurance specialty courses to train qualified people for insurance.

5. To grant a greater amount of requisite funds for the establishment of insurance companies. This year, the insurance companies have been established out of the People's Bank of China, and these new organs seriously lack the necessary office premises and dormitories for staff members and workers. In particular, when insurance in the rural areas is being actively developed and legal insurance for third-party liability in terms of mechanized vehicles and ships and legal insurance for old-age care are comprehensively enforced, insurance organs will be universally set up in counties, large cities and towns, and in city neighborhoods. Thus, the contradiction in terms of the insufficiency in available premises will become even more prominent. With the approval of the Ministry of Finance, it is planned to allot 200 million yuan for establishment funds between 1985 and 1988. This amount of funds will not be allocated from the financial department of the state, but will be derived from the profits from insurance, and the State Planning Commission is responsible for increasing

the quota for specialized capital construction. With the development of the insurance business in cities and rural areas, the number of vehicles for insurance business will be correspondingly increased, and it is hoped that the State Supplies Bureau will give priority to these needs, so as to meet the requirements in preventing accidents, inspection and handling cases of compensation.

Now, insurance has become an indispensable and integral part of the activities of our national economy, which has met with the attention and concern of the party and government departments at various levels. In the past few years, insurance undertakings have developed at a pace faster than expected; the key factor in this being the attention and encouragement given by the CPC Central Committee, the State Council, and party and government leaders at various levels, as well as the support and cooperation rendered by various relevant departments. We hope that the governments at various levels will further strengthen the leadership in insurance work so as to promote the development of our insurance undertakings in depth and in breadth.

If there is nothing inappropriate in the above report, please approve it and circulate it among various regions and various relevant departments for implementation.

CSO: 4005/1005

STATE COUNCIL CIRCULAR DETAILS PRICE GROUP RESHUFFLE

(Guobanfo [0948 6586 4099] (1984) No 96)

Beijing STATE COUNCIL BULLETIN in Chinese No 28, 30 Nov 84 p 973

[State Council General Office Circular on the Reshuffling of the Members of the State Council Commodity Price Group (13 November 1984)]

[Text] In order to strengthen research on reform of the commodity price system and propose commodity price reforms for the consideration of the CPC Central Committee and the State Council, the State Council has decided to make appropriate readjustments to the members of the State Council Commodity Price Group. The reshuffled name list is as follows:

Group leader: Tian Jiyun [3944 4764 0061]

Deputy group leaders: Zhang Jingfu [1728 0513 1133]
Song Shaowen [1345 0508 2429]

Members: Jiang Xi [1203 5045] Cheng Zhiping [2052 5268 1627]
Liu Suinian [2692 7151 1628] Yan Ying [7051 4481]
Jin Xin [6855 9515] Liu Xiongru [0491 7703 0320]
Wu Junyang [0702 0193 2254] Ren Zhonglin [0117 0022 2651]
Li Kaixin [2621 7030 0207] Kang Yanghe [1660 3057 0735]
Zhang Qi [1728 4388]

Chief of the Commodity Price Group Office: Cheng Zhiping (concurrent)

Deputy Chiefs: Li Zhouqun [2621 0719 5028]
Ai Zhongquan [5337 0022 0356]

The Commodity Price Group offices are still subordinate to the State Commodity Price Commission. All localities and departments are requested to contact the office of the Commodity Price Group immediately for matters in connection with commodity price.

CSO: 4005/1005

STATE COUNCIL CIRCULAR ON CONSTRUCTION MANAGEMENT REFORM LEADERSHIP

(Guobanfa [0948 6586 4099] (1984) No 98)

Beijing STATE COUNCIL BULLETIN in Chinese No 28, 30 Nov 84 pp 973-974

[State Council General Office Circular on the Establishment of a Leadership Group for the reform of the Management System of Building Construction and Capital Construction (14 November 1984)]

[Text] For the purpose of pushing forward the reform of the management system of building construction and capital construction, and in accordance with the State Council's "Standing Regulations on Several Problems Concerning the Reform of the Management System of Building Construction and Capital Construction" (Guofa 1984, No 123), the departments concerned of the State Council have established a leadership group for the reform of the management system of building construction and capital construction. The major duties of the leadership group are: propose specific regulations in connection with the reform; coordinate and solve problems arising from the reform; and promptly reflect the situation of reform to the State Council. Subordinate offices of the leadership group will be established, they will be composed of personnel from the State Planning Commission and the Ministry of Urban and Rural Construction and Environmental Protection, and will be responsible for routine work.

The leadership group is composed of the following comrades:

Group leader: Rui Xingwen [5360 2622 2429], minister of urban and rural construction and environmental protection, vice minister in charge of the State Planning Commission

Deputy leaders: Wang Deying [3769 1795 3841], vice minister in charge of of the State Planning Commission

Xiao Tong [5135 2717], vice minister of urban and rural construction and environmental protection

Members: He Guanghui [6320 0342 6540], vice minister in charge of the State Commission for Restructuring Economic System

Tian Yinong [3944 0001 6593], vice minister of finance

He Guang [0149 0342], vice minister of labor and personnel

He Guangyuan [0149 0342 6678], vice minister of machine-building industry

Shi Qirong [4258 0796 2837], member of the State Planning Commission
Yang Shen [2799 1957], Director of the Building Management Bureau of the Ministry of Urban and Rural Construction and Environmental Protection

Li Jizhang [2621 4764 4545], deputy director of the State Supplies Bureau

Zhou Hanrong [0719 3352 2837], vice president of the Construction Bank

Wu Xueyi [0702 1331 5669], director of Land Management Bureau of the Ministry of Agriculture, Animal Husbandry and Fishery

CSO: 4005/1005

CONGRATULATORY MESSAGE TO PRESIDENT REAGAN ON HIS REELECTION

Beijing STATE COUNCIL BULLETIN in Chinese No 28, 30 Nov 84 pp 974-975

[Congratulatory Message from President Li Xiannian and Premier Zhao Ziyang to President Reagan]

[Text] Washington,

President Ronald Reagan of the United States of America,

We would like to take this opportunity to congratulate you on your reelection as President of the United States of America.

Sino-U.S. relations have enjoyed development over the last few years under the concerted efforts of both nations. This is in compliance with the wish and interests of the people of both nations and is also conducive to peace in Asia and in the world. We sincerely wish that during your second term, relations between our nations will be stabilized on the basis of the three joint Sino-U.S. communiques and will progress to the enduring future.

Li Xiannian, President of the
People's Republic of China

Zhao Ziyang, Premier of the State Council
of the People's Republic of China

7 November 1984, Beijing

CSO: 4005/1005

CONGRATULATORY MESSAGE ON 20TH OAS SUMMIT CONFERENCE

Beijing STATE COUNCIL BULLETIN in Chinese No 28, 30 Nov 84 p 975

[Message from Premier Zhao Ziyang Congratulating the Convocation of the 20th Summit Conference of the Organization of African Unity]

[Text]

Addis Ababa

Summit Conference of the heads of state and government heads of the Organization of African Unity,

I would like to take this opportunity on behalf of the Chinese Government and people to give our warm congratulations on the convocation of the 20th summit conference of the heads of state and government heads of the Organization of African Unity.

Since the establishment of the Organization of African Unity, the African countries and the broad masses of their people have upheld the principle of the "Constitution of the Organization of African Unity," and have made major contributions to the independence, liberation, unity, cooperation and development of the various African countries. They have made arduous efforts in maintaining world peace and speeding up the establishment of the new international economic order, and have thus won the praises of the people of various countries throughout the world.

Currently, the African countries and their people are arduously struggling for the liberation of the entire African continent, for safeguarding state sovereignty, enlivening national economy and overcoming natural calamities with the spirit of being concerned about the overall situation and with unyielding determination. We sincerely hope that this conference will continue to make contributions to the unity, stability and prosperity of Africa. The Chinese Government and people will always stand on the side of the African countries and people and will resolutely support your righteous cause.

May the conference be a success.

Zhao Ziyang
Premier of the State Council of
the People's Republic of China

10 November 1984, Beijing

REGULATIONS ON RAILROAD CROSSINGS ISSUED

Beijing STATE COUNCIL BULLETIN in Chinese No 28, 30 Nov 84 p 976

{Issued 10 November 1984 by the Ministry of Railways, Ministry of Communications, and the Ministry of Public Security}

No 1636 of the Ministry of Railways

No 2186 of the Ministry of Communications, Highways Division

No 181 of the Ministry of Public Security

{Text} In order to strengthen the management of railroad crossings, and guarantee the safety of vehicles passing through, we are now specially setting forth the following regulations for the benefit of all vehicles and pedestrians:

1. When motor vehicles are passing through a railroad crossing, they must not exceed a speed limit of 20 km per hour. Small tractors must not exceed 10 km per hour and may not stop within the crossing.
2. When the gate comes down, the horn blows a warning sound or the guard indicates that a train is approaching, vehicles and pedestrians must stop in proper order behind the stop line. If there is no stop line, stop 5 meters or more from the outermost railway track.
3. When approaching a railroad crossing that is not manned by a guard, drivers and pedestrians must come to a stop and look to make sure that it is safe. Only then may they cross.
4. When passing through a railroad crossing equipped with signals, the following regulations must be observed:

{1} When two red lights are on or are flashing alternately, this means that a train is approaching. Vehicles and pedestrians are forbidden to cross.

{2} A white light means that the way is clear and vehicles and pedestrians may proceed.

{3} When neither a red nor white light is on, this means that there is a power outage or a mechanical failure and the signal is out of order. Drivers and pedestrians must observe the third regulation above when crossing.

5. Whoever violates these regulations, disturbs orderly crossing, endangers the safety of vehicles and pedestrians, or does not listen to warnings to stop will be prosecuted by public security agencies according to traffic regulations and the "Regulations Concerning the Management of Public Security and the Prosecution of Violations of the People's Republic of China". If one should cause an accident resulting in injury or death or severe damage to public or private property, one will be charged with economic and criminal responsibility according to law.

CSO: 4005/1005

END